

Debtors' Statement of Disputed Issues

EXHIBIT C



2 August 2004

Dear Paul,

As there have been numerous communications between our organizations since our engagement on the Matchbox program, I believe it is important to make sure that both of our companies are on the same page and have a clear understanding of the status and costs. It has always been our intent to clearly articulate status of the program and to clearly state Celestica's intention to complete the program.

As of July 28 the cost of the unit was made up as follows,

• Total cost of Material	\$57.81
Includes	
• Headset	\$16.44 + 4% inbound freight
• Soft case	\$2.07
• Transit packing box	\$0.10
• Manufacturing cost	\$ 3.62
• Test cost	\$ 2.86
Test time	13.90 minutes
• SG&A	\$ 2.18
• Overheads and profit	\$ 8.96
• Unit cost	\$75.43
• NRE 50% amortised over 1 st years	
production of 150K	\$ 2.19
• Sell price ex works Monterey	\$77.62

NRE

• Process	\$309,475
• Component NRE (under review)	\$169,800
• Design NRE	\$177,000

The above process tooling represents what is required to satisfy a production requirement of 30k units per month. 50% of all NRE charges would be paid on production of first unit, the remaining 50% amortised over first years-forecasted production of 150K units. Any residual not recovered after 12 months production will be invoiced on month 13th.

Celestica has undertaken a complete review of the Matchbox cost and is unable to make any additional allowance to that shown above. The product has a number of challenges, all of which were not identified until we had the kick off meeting with your team and the ongoing activities by the Celestica team. These changes have been communicated to the Delphi team during the weekly conference calls. The mechanical design has required additional parts to be added and the production test involves a total of three separate test processes. As you can see the combined test cycle, including debug and repair takes just under 14 minutes.

The material costs will be continually worked and you will continue to receive the weekly updates through the design team. This activity will continue until the design is signed off. Celestica will, then, provide you an updated quotation for the unit. It is our commitment to work the price in a downward manner.

Celestica also needs to bring to your attention that we are still progressing with the material orders against the release document issued in June 2004, although a sizing operation is in hand at the Monterey site to assess your group's request to increase the front-end volume. As soon as we have confirmation from all the key suppliers and confirmed the capacity plans the site will be in contact with your team. To date over \$800K of material has been ordered to meet the current manufacturing schedule. Another key item that needs consideration by your team is the regulatory test. Until the results are known, sometime in September the production start date could be at risk. In the event that a design re-spin is needed the timing of this and the SOP date would clash and we could miss the window for the Christmas sales. I am also lead to believe there may be a concern with the mating of the Roady unit, a problem caused by the varying tolerances of the product in the field. This needs clarification. Our respective engineering teams need to review the current status of the design and undertake a full risk analysis to better understand any potential risk to the timing of this project. Delphi needs to assess if material should continue to be ordered taking into account any associated financial liabilities.

Due to the aforementioned points, Celestica can not commit to a final product cost, although we believe that the price shown is close to the final one. The major exception to this would be a result from the tests or the potential mechanical concern. Celestica commits to continue to work on the project and to keep the Delphi team fully abreast.

Understanding that our original quotation was budgetary and the above is contingent on the regularity testing we need your agreement to continue with the project knowing the cost quoted above are the costs Celestica need to pass over to Delphi. We also need your agreement that Celestica should continue to place orders for material and NRE associated with both component and production tooling and aligned to the Delphi "release" schedule. As stated above, Celestica is fully committed to continue to work with Delphi and any further cost reduction identified will be passed through in the final quote. The manufacturing site in Monterey is also preparing to support the program based on the latest project plan and the successful outcome of the design.

In closing I would like to draw your attention to offer we recently made on another project. On Echo we are prepared to reduce the sell price on our standard quote by \$3.28. This reduction gives Delphi an ex works price of \$59.46 for the combined Echo products of a Transmitter and a Receiver module. This new price for Echo reflects the material cost increase to \$41.28, as advised by Delphi on July 29 and is subject to no additional parts being added to the original Bill of Material. This offer does not in anyway set a precedent for future business between our respective companies. I trust you see this offer as a spirit of our intention of true partnership.

We await your response.

Regards,

Stewart Taylor
Business Development Director Automotive
Celestica Limited